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**EASTERN BAKERIES** Limited

## Annual Report

For the fiscal year ended November 1, 1980







**EASTERN BAKERIES** Limited ✓

### **DIRECTORS**

L.M. BELL   H.W. BLAKELY   R.B. BRENNAN JR.  
R.G. DALE   D.G. HICKINGBOTTOM   L.M. MACHUM, Q.C.   J.A. TELFER

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### **MANAGEMENT**

DONALD G. HICKINGBOTTOM, President and Chief Executive Officer  
JOHN H. BLACK, Secretary Treasurer  
S. FRASER CAMPBELL, Vice President, Production  
GLEN J. GIBBONS, Vice President, Finance  
JOHN T. NISBET, Vice President, Sales

D.G. ANGLIN, Director of Operations  
H.J. ARSENEAULT, Manager Operations, Berwick Bakery Division  
W.J. CHASE, Manager, Data Processing  
R. CHAFE, Manager Operations, Walsh's Bakery Division

F. HART, Manager, Moncton Plant  
D.A. NOEL, Director of Marketing  
I.C. PARKER, Comptroller  
G.J. YOUNG, Manager, Personnel Relations

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### **AUDITORS**

THORNE RIDDELL, Saint John, N.B.

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### **BANKERS**

BANK OF MONTREAL, Saint John, N.B.

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### **TRANSFER AGENTS**

MONTREAL TRUST COMPANY, Saint John, N.B., and Montreal, P.Q.

# EASTERN BAKERIES LIMITED, 1980



NEW HALIFAX DISTRIBUTION CENTRE

## FINANCIAL HIGHLIGHTS

	<u>1980</u>	<u>1979</u>
NET SALES	26,939,377 ✓	24,342,779 ✓
INVESTMENT INCOME	355,488 ✓	259,347 ✓
INCOME BEFORE INCOME TAXES	2,461,019	2,272,132
INCOME TAXES	1,053,126	965,500
NET INCOME	1,407,893 ✓	1,306,632 ✓
EARNINGS PER SHARE	1.26 ✓	1.17 ✓
RETURN ON INVESTMENT	17.3%	17.6%
DIVIDENDS PAID	668,855	668,855
EQUITY PER COMMON SHARE	6.66	6.00
WORKING CAPITAL	3,541,838	3,206,336
CAPITAL SPENDING	1,231,759	909,643



## TO THE SHAREHOLDERS

The fiscal year 1980 was a record one for the Company as sales increased 10.7% and net income advanced 7.7% over the prior year.

Results for the 53-week period ended November 1, 1980 show that earnings were \$1,407,893 or \$1.26 per share, compared with \$1,306,632, or \$1.17 per share for the previous 52-week period.

The improvement in reported earnings is attributed to the increase in investment income and the economies resulting from the Company's capital investment program. These benefits materialized in the last half of our fiscal year when earnings reached \$993,530. For the comparable period in the prior year earnings amounted to \$821,983.

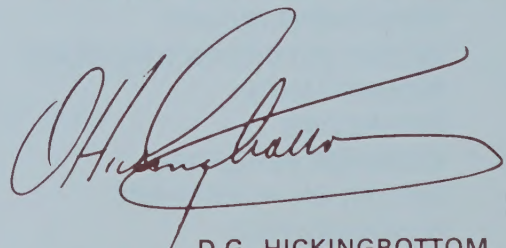
Sales were \$26,939,377 as compared to \$24,342,779 last year.

Three new products were introduced during the year: Cherry Buns, Cinnamon Buns and Cinnamon Raisin Muffins, and all three products were well received by consumers throughout the Atlantic area. Additional new products, currently at the development stage, will be launched at intervals throughout the course of the new fiscal year and each, we feel, will be well received.

We must express considerable concern with regard to the recent Government decision to raise the price of wheat used for domestic consumption. The Canadian Government on August 1, 1980 increased the price range of wheat for the domestic market from \$4.00 - \$5.00 per bushel to a minimum of \$5.00 and a maximum of \$7.00 per bushel. The price moved upwards very rapidly and on December 1, 1980 reached the \$7.00 maximum. Within this four month period flour costs, as a result, increased approximately 33% or \$5.00 per cwt., thus necessitating significant price increases on all bakery products. Our concern lies in the impact this has had on consumers and particularly on those in lower and fixed income brackets, and the negative effect this could have as well on the consumption of bakery foods throughout Canada.

I would like to express appreciation to our employees who have again played such an important part in the success of the past year. I am confident that our people will be equal to the many challenges that lie ahead and that the Company will continue to prosper.

On behalf of the Board of Directors,



D.G. HICKINGBOTTOM,  
President and Chief Executive Officer

December 17, 1980

EASTERN BAKERIES LIMITED  
STATEMENT OF INCOME AND RETAINED EARNINGS

YEAST

	53 Weeks ended November <u>1, 1980</u>	52 Weeks ended October <u>27, 1979</u>
Sales and revenues		
Sales .....	\$26,939,377	\$24,342,779
Investment Income .....	<u>355,488</u>	<u>259,347</u>
	✓ <u>27,294,865</u>	<u>24,602,126</u> ✓
Costs and operating expenses .....	23,987,605	21,601,288
Depreciation .....	<u>846,241</u>	<u>728,706</u>
	<u>24,833,846</u>	<u>22,329,994</u>
Income before income taxes .....	<u>2,461,019</u>	<u>2,272,132</u>
Income taxes		
Current .....	1,081,626	832,000
Deferred (reduction) .....	<u>(28,500)</u>	<u>133,500</u>
	<u>1,053,126</u>	<u>965,500</u>
NET INCOME .....	✓ \$ 1,407,893	\$ 1,306,632 ✓
Retained earnings at beginning of period .....	6,633,243	5,995,466
	8,041,136	7,302,098
Dividends .....	<u>668,855</u>	<u>668,855</u>
RETAINED EARNINGS AT END OF PERIOD .....	<u>\$ 7,372,281</u>	<u>\$ 6,633,243</u>
Earnings per share .....	✓ <u>\$ 1.26</u>	<u>\$ 1.17</u> ✓



## EASTERN BAKERIES LIMITED

(Incorporated under the laws of New Brunswick)

## BALANCE

## ASSETS

	November 1, 1980	October 27, 1979
<i>CURRENT</i>		
Cash .....	\$ 430,212	\$ 224,844
Term deposits .....	1,844,572	1,954,438
Marketable securities, at cost (quoted market value 1980, \$2,066,959; 1979, \$1,271,009) .....	2,098,400	1,309,468
Accounts receivable .....	1,899,162	1,670,173
Federal equipment grant receivable .....	10,750	10,750
Inventories .....	516,310	480,186
Prepaid expenses .....	264,984	183,418
	<u>7,064,390</u>	<u>5,833,277</u>
<i>OTHER INVESTMENTS</i> .....		<u>7,100</u>
<i>FIXED</i> (note 2)		
Land, buildings, machinery and equipment .....	10,385,241	9,687,651
Less accumulated depreciation .....	6,142,967	5,827,525
	<u>4,242,274</u>	<u>3,860,126</u>
<i>INTANGIBLE</i>		
Goodwill .....	<u>376,354</u>	<u>376,354</u>
	<u>\$11,683,018</u>	<u>\$10,076,857</u>

Approved by the Board:

Director R.G. DALE

Director D.G. HICKINGBOTTOM

## LIABILITIES

	November 1, 1980	October 27, 1979
<i>CURRENT</i>		
Accounts payable and accrued liabilities .....	\$ 1,680,605	\$1,688,479
Payable to parent company .....	497,270	656,069
Income and other taxes payable .....	1,344,677	282,393
	<u>3,522,552</u>	<u>2,626,941</u>
<i>DEFERRED INCOME TAXES</i> .....	<u>735,000</u>	<u>763,500</u>

## SHAREHOLDERS' EQUITY

<i>CAPITAL STOCK</i>		
Authorized		
1,170,000 Common shares of no par value		
Issued		
1,114,760 Common shares .....	53,185	53,173
<i>RETAINED EARNINGS</i> .....	<u>7,372,281</u>	<u>6,633,243</u>
	<u>7,425,466</u>	<u>6,686,416</u>
	<u>\$11,683,018</u>	<u>\$10,076,857</u>

LEASE COMMITMENTS (note 3)

UNFUNDED PAST SERVICE PENSION LIABILITY (note 4)

EASTERN BAKERIES LIMITED  
STATEMENT OF CHANGES IN FINANCIAL POSITION

	53 Weeks ended November <u>1, 1980</u>	52 Weeks ended October <u>27, 1979</u>
<i>WORKING CAPITAL DERIVED FROM</i>		
Operations .....	\$2,222,686	\$2,158,610
Other items .....	<u>13,430</u>	<u>14,369</u>
	<u>2,236,116</u>	<u>2,172,979</u>
<i>WORKING CAPITAL APPLIED TO</i>		
Additions to fixed assets .....	1,231,759	909,643
Dividends .....	<u>668,855</u>	<u>668,855</u>
	<u>1,900,614</u>	<u>1,578,498</u>
<i>INCREASE IN WORKING CAPITAL</i> .....	335,502	594,481
<i>WORKING CAPITAL AT BEGINNING OF PERIOD</i> .....	<u>3,206,336</u>	<u>2,611,855</u>
<i>WORKING CAPITAL AT END OF PERIOD</i> .....	<u><u>\$3,541,838</u></u>	<u><u>\$3,206,336</u></u>

**AUDITORS' REPORT**

To the Shareholders of Eastern Bakeries Limited

We have examined the balance sheet of Eastern Bakeries Limited as at November 1, 1980 and the statements of income and retained earnings and changes in financial position for the 53 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at November 1, 1980 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saint John, New Brunswick  
December 4, 1980

Thorne Riddell  
Chartered Accountants



EASTERN BAKERIES LIMITED  
NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Inventories

Inventories of raw materials, wrapping supplies and other items are valued at the lower of cost and replacement cost. Finished goods are valued at the lower of cost and net realizable value.

(b) Fixed assets

All fixed assets are stated at cost. Depreciation is provided on both the diminishing balance basis and the straight line basis using the following annual rates:

Land improvements . . . . .	4%
Buildings . . . . .	5 to 10%
Machinery and equipment . . .	6.67 to 25%
Delivery equipment . . . . .	30%

(c) Goodwill

Goodwill is stated at cost and is not being amortized.

(d) Income taxes

Deferred income taxes arise from claiming depreciation and other items for tax purposes in amounts differing from those recorded in the accounts.

2. FIXED ASSETS

	53 Weeks ended November 1, 1980		52 Weeks ended October 27, 1979	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>
Land . . . . .	\$ 276,603		\$ 276,603	\$ 256,603
Land improvements . . . . .	31,015	\$ 10,873	20,142	20,981
Buildings . . . . .	2,880,703	1,137,393	1,743,310	1,386,682
Machinery and equipment . . .	6,133,707	4,374,804	1,758,903	1,918,002
Delivery equipment . . . . .	1,063,213	619,897	443,316	277,858
	<u>\$10,385,241</u>	<u>\$6,142,967</u>	<u>\$4,242,274</u>	<u>\$3,860,126</u>

### 3. LEASE COMMITMENTS

The company rents certain delivery equipment under a lease. The annual rentals in each of the next three years are:

1981 .....	\$77,000
1982 .....	15,000
1983 .....	3,000

### 4. UNFUNDED PAST SERVICE PENSION LIABILITY

As a result of improvements to the company pension plan effective October 31, 1980 the company has an unfunded past service pension liability of \$153,000 as at November 1, 1980. The company expects to repay this liability within the next two years.

### 5. AMALGAMATION

On October 28, 1979 Eastern Bakeries Limited amalgamated with its wholly owned subsidiary company, Berwick Bakery Limited, into the continuing company Eastern Bakeries Limited. The issued capital stock of Berwick Bakery Limited was cancelled on amalgamation.

The comparative figures shown are those from the consolidated financial statements of the predecessor company, Eastern Bakeries Limited, for the year ended October 27, 1979.

### 6. OTHER INFORMATION

- (a) Throughout the period the company purchased essentially all of its flour supplies from its parent company.
- (b) The direct remuneration of directors and senior officers amounts to \$207,250.





